

Internal Audit Services



Internal Audit Strategy

2020/21

INTRODUCTION

This document sets out the overall strategy for the Internal Audit Service for the 2020/21 financial year and the strategic approach to delivering Internal Audit Services in future years.

This longer-term perspective is necessary to give some indication of how assessed risks will be reviewed, as not all risks can, due to resource constraints, be subject to review within any one year. This longer-term perspective gives direction to service delivery.

MAIN DRIVERS IN SETTING THE DIRECTION

The work of the Internal Audit Team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are:-

- The Accounts and Audit Regulations 2015;
- The requirements to meet the service scope and standards set out in the Public Sector Internal Audit Standards 2017;
- The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer;
- The requirements of the External Auditor;
- The desire to contribute to the achievement of council priorities, targets and objectives;
- The desire and need to meet the needs of the organisation and internal customers and external customers;
- The contributory role, in assisting with, the embedding and informing about risk management across the Council;
- Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy; and
- The need for the Council to maintain an effective counter-fraud culture.

The Accounts and Audit Regulations 2015 sets out the requirements for local authorities to undertake internal audit:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Public Sector Internal Audit Standards (PSIAS) 2017 provide the mission and definition of internal audit as:-

Mission – *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

Definition – *Internal Auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:-

- Mission of Internal Audit;
- Definition of Internal Auditing;
- Core Principles for the Professional Practice of Internal Auditing;
- Code of Ethics; and
- The Standards.

Section 151 of the Local Government Act requires the Council (through the Chief Financial Officer) to ensure the proper administration of the Council's financial affairs. The work of the Internal Audit supports the appointed Section 151 Officer to administer the Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Finance Officer on the extent of proper administration.

The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation where it can. It largely does this through acting as a control assurance function providing assurance to managers and to the organisation on its internal control and governance arrangements. It also adds value by highlighting inefficiencies and by supporting managers in the assessment and management of risk as new service delivery models are considered.

Advice - Internal Audit staff continuously provide advice on internal control and governance issues, and the management of risks, as risk and control experts. They do this when in the field on their designated audit, or in response to direct approaches to the internal audit office by customers seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council as changes are considered.

Counter Fraud Culture - the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud, Bribery and Corruption Statement of Intent and will participate in activities set out in the Fraud Response Plan.

WHAT THIS MEANS WE NEED TO DO:-

In meeting these drivers and organisational needs, the Internal Audit Service will:-

- Provide assurance on the Council's internal control system, by auditing both financial and non-financial risks;
- Audit the main financial systems and other systems related to possible material misstatements, regardless of comparative risk;
- Deliver risk based assurance on those controls that mitigate significant risks;
- Fully comply with best practice as defined by Public Sector Internal Audit Standards;
- Better integrate the outcomes and other information gathered as part, of the internal audit process, with the risk management processes of the Council;
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council;
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Service or procured from approved providers e.g. AGMA Shared Services;
- Improve the efficiency and effectiveness of operations of the service;
- Promote good corporate governance and control practices and contribute to a good governance culture; and
- Work in a positive manner alongside customers, supporting them in the effective management of risk and service delivery.

HOW WILL WE DO THIS?

Review the whole internal control environment - We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered on a cyclical basis. This will be evidenced through our Audit Plans. We will use this evidence to deliver an annual opinion on the internal control environment.

Review of Main Financial and Material Systems - We will deliver the review of the risk and controls in the Council's main financial systems on a cyclical basis to support the Chief Finance Officer (Section 151 Officer) to discharge her responsibilities.

A System of Risk-Based Auditing - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach to ensure it is effective in providing assurance to managers within the Council and to members. We will continue to identify and review those areas which are most significant to the control of those risks that threaten the achievement of the Council's priorities and objectives.

Compliance with Best Practice – we have developed a methodology to measure our achievement of compliance with the PSIAS. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.

Relationship with Risk Management - We are not responsible for the management of the Council's risks; this is entirely the responsibility of the Council's management. However, we will take account of the corporate risk management processes in the way we relate to managers in the control of risks. We will endeavour to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service. We recognise that through our work we are assisting managers to better understand risk management. This is an important educational/informative role that adds value to the organisation. We will submit information of risks to the corporate owner of the Council's Corporate Risk Register as well as to managers to help keep the registers up-to-date and relevant.

Relationship with External Auditor – we will endeavour to work with the Council's External Auditor to share plans and maintain a process of regular liaison meetings to deliver an effective corporate assurance service to the Council.

Relationship with other Internal Auditors – As the Council continues on its integration journey with health partners we will endeavour to work with other Internal Auditors (Merseyside Internal Audit Agency), share plans and maintain a process of regular liaison meetings to deliver an effective corporate assurance service to the Strategic Commission.

Appropriate Resources – we will endeavour to maintain an effective number of staff to undertake the required workload supported by effective systems of operation. We will apply staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS. We will develop the experience of our staff by a development programme that gives them new pertinent skills, through a systematic development and training process. We will procure specialist services from approved suppliers where these skills are not available from within internal resources. The Computer Audit Plan is supplemented by procuring additional days from Salford MBC under the AGMA Computer Audit Shared Service Agreement.

Efficiency Improvements – We seek to minimise the time spent on audits whilst at the same time delivering effective audits. Our efficiency will also support more efficient service delivery by our customers as we try to minimise disruption and distraction to normal service delivery. We will comment on the efficient, economic and effective use of resources where appropriate in our Internal Audit work.

Promoting Good Corporate Governance – in all we do we will seek to promote good corporate governance, including the giving of advice and the assessment of internal controls. We will also contribute to both the Council's counter fraud culture and the development of its Anti-Fraud, Bribery and Corruption Statement of Intent through the programme of anti-fraud checks, and recommending updates to the above document. We will promote this via our work and in coordination with the External Auditor and other key governance managers within the Council.